



# **Thrift Savings Plan**

## **Withdrawing Your TSP Account After Leaving Federal Service**

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**Federal Retirement  
Thrift Investment Board**

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## TSP Forms and Materials for Separated Participants

You can get these items from your agency personnel office while you are still employed. After you leave Federal service, you can get them from the TSP Service Office and the TSP Web site (see page 1).

### To withdraw your account:

- Form TSP-70, Withdrawal Request (including Form TSP-70-T, Transfer Information)
- Form TSP-16, Exception to Spousal Requirements
- *Withdrawing Your TSP Account After Leaving Federal Service*
- *Thrift Savings Plan Annuities*
- "Important Tax Information About Payments From Your TSP Account"

### For beneficiaries to receive your account:

- Form TSP-17, Information Relating to Deceased Participant
- "Important Tax Information About Thrift Savings Plan Death Benefit Payments"

### To keep your account information up to date:

- Form TSP-3, Designation of Beneficiary
- Form TSP-9, Change of Address for Separated Participants
- Form TSP-15, Change in Name

### Other information:

- "Important Tax Information About Your TSP Withdrawal and Required Minimum Distributions"
- "Tax Treatment of Thrift Savings Plan Payments Made Under Qualifying Orders"
- *Information About Court Orders*

# Withdrawing Your TSP Account

## Introduction

This booklet, *Withdrawing Your TSP Account After Leaving Federal Service*, describes the TSP withdrawal options available to separated participants. If you are still in Federal service and want to access the money in your TSP account, you should read the booklets *TSP Loan Program* and *TSP In-Service Withdrawals*.

As a separated participant, you can choose to receive a single payment, a series of monthly payments, or a TSP life annuity. You can ask to have your payment(s) begin as soon as possible or you can specify a future date. You can have the TSP transfer all or a part of a single payment or, in some cases, a series of monthly payments, to an Individual Retirement Arrangement (IRA) or other eligible retirement plan. You may also leave your account in the TSP when you separate and make a withdrawal decision later.

The **Thrift Savings Plan Service Office** is your contact regarding your TSP account *after* you leave Federal service:

**TSP Service Office**  
**National Finance Center**  
**P.O. Box 61500**  
**New Orleans, LA 70161-1500**  
Telephone: (504) 255-6000  
TDD: (504) 255-5113

The TSP Service Office can answer questions about your account and can send you TSP withdrawal materials to supplement the Withdrawal Package provided to you by your agency when you separated from Federal service. Submit your withdrawal forms directly to the TSP Service Office.

The **ThriftLine** is an automated telephone service for participants which provides current account information 24 hours a day, 7 days a week. You can use the ThriftLine to change the allocation of your account balance among the three TSP investment funds. After you have applied to withdraw your TSP account, you can call the ThriftLine to find out if your withdrawal has been scheduled or if payment has been made. Call the ThriftLine at **(504) 255-8777** (not a toll-free number) from a touch-tone telephone. You will need your Social Security number and your four-digit Personal Identification Number (PIN). If you do not know your PIN, you can use the ThriftLine to request a new one.

The **TSP Web site, [www.tsp.gov](http://www.tsp.gov)**, provides current TSP booklets, forms, fact sheets, and tax notices. With your Social Security number and PIN, you can also find out your current account balance.

This **Withdrawal Booklet** consists of three sections:

- *Section I, Withdrawing Your TSP Account*, explains your withdrawal options and tells you how to apply for the option you want.
- *Section II, Leaving Your Money in the TSP*, tells you what you need to know if you decide to leave your account in the TSP after separating from service.
- *Section III, Special Considerations*, describes rules that affect withdrawals for certain participants.
  - If you are a FERS<sup>1</sup> participant with fewer than three years of Federal service, read “Vesting Requirements,” page 8.
  - If your vested account balance is \$3,500 or less, read “Automatic Cashout of Small Accounts,” page 8.
  - If you are a married participant whose vested account balance is more than \$3,500, read “Spouses’ Rights,” page 8.
  - If your account is subject to a court order, read “Court Orders,” page 9.
  - If you have taken an age-based in-service withdrawal, read “Effect of an Age-Based In-Service Withdrawal,” page 9.
  - If you anticipate being rehired by the Federal Government, read “Withdrawal Rules for Rehired Participants,” page 9.

## I. Withdrawing Your TSP Account

This section tells you how to withdraw your account, explains your withdrawal options, and summarizes the tax consequences of the options. It also tells you how to change your withdrawal election.

### Requesting Your Withdrawal

**What your agency must do.** When you leave the Government, your agency is required to give you a TSP Withdrawal Package that contains a tax notice and the forms you will need. (If you did not receive this package, contact your former personnel office.)

*Your agency must also notify the TSP that you have left the Government by submitting to the TSP a Separation*

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<sup>1</sup> FERS refers to the Federal Employees’ Retirement System, the Foreign Service Pension System, and other equivalent Government retirement plans.

Code and the date of your separation. The TSP cannot process your withdrawal until your agency reports this information.

**What the TSP Service Office will do.** When information about your separation is received, the TSP Service Office will send you current account and withdrawal information and a tax notice (unless the TSP has already received a withdrawal election from you). If you do not receive this information within 60 days after leaving the Government, contact your former agency to make sure it has submitted a Separation Code and the date of your separation to the TSP.

If you have an outstanding TSP loan at the time your agency reports your separation, the TSP Service Office will notify you. *An outstanding loan will delay your withdrawal* because you cannot withdraw your account until you have repaid your loan in full or until the loan has been declared a taxable distribution. (See the booklet *TSP Loan Program* for more information.)

**What you should do.** Read this Withdrawal Booklet and the tax notice. When you are ready to make an election — but not before you separate from service — complete Form TSP-70, Withdrawal Request:

- Indicate whether you want to receive a single payment, a series of monthly payments, or a life annuity. (Each of these options is explained on page 3.) If you ask for a life annuity, the TSP Service Office will send you an Annuity Request Package.
- If you want to have the TSP transfer all or part of your payment(s) to an IRA or other eligible retirement plan, you and the financial institution or plan must also complete Form TSP-70-T, Transfer Information.
- Indicate whether you want your withdrawal to be made as soon as possible or at a specific future date.
- If you are married, and your account is \$3,500 or more, spouse notice (CSRS<sup>2</sup>) or survivor annuity (FERS) requirements apply. (See “Spouses’ Rights,” page 8.)

Send Form TSP-70 (and Form TSP-70-T, if appropriate) to the TSP Service Office. Make sure your forms are complete and correct before you mail them; *the TSP Service Office cannot accept changes over the telephone*. Keep a copy of your form(s) for your records.

**The timing of your withdrawal.** The TSP record keeper disburses withdrawals once a month (for withdrawals approved by the fourth business day of that month). You can call the ThriftLine to find out if your withdrawal has been scheduled or if payment has been made. The TSP will also notify you when payment has been made.

You should allow up to five weeks between the time that all required forms and information are submitted by you and your agency and the time that payment is mailed to you. Your withdrawal could take longer if your agency delays in reporting your separation, if you submit forms that are not properly completed, or if you request a transfer and your financial institution delays in submitting Form TSP-70-T. (In any case, you must have been separated from Federal service for at least 30 days before your account can be paid out.)

The effect of a delay is that account balances invested in the Common Stock Index Investment (C) Fund and Fixed Income Index Investment (F) Fund will be subject to market risk longer than you may have expected. If you do not want to incur this risk, you may want to transfer your C and F Fund account balances to the Government Securities Investment (G) Fund at the time you request your withdrawal.

The TSP reserves the right to postpone a withdrawal when the Withdrawal Request is received after the end of a month but before the fourth business day of the following month. For example, if you have investments in the C or F Fund and there is a sharp decline in the value of the funds accompanied by an unusually large number of requests for disbursements after the month has ended, the TSP may not pay your withdrawal until the following month. This policy is required to prevent withdrawal of funds from the TSP before losses in the C and F Funds have been allocated to all participants, including those who are in the process of withdrawing their accounts.

**Withdrawal at a later date.** If you request a withdrawal at a specified future date, the TSP Service Office will *notify you four months before* the date that you selected and provide you with current withdrawal and tax information. If you had requested a TSP annuity, the Annuity Request Package will be sent to you at that time.

If you want to have all or part of your payment(s) transferred to an IRA or other eligible retirement plan, you must submit Form TSP-70-T to the TSP Service Office. Submit your form one or two months before your selected date of withdrawal.

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<sup>2</sup> CSRS refers to the Civil Service Retirement System, including CSRS Offset, the Foreign Service Retirement and Disability System, and other equivalent Government retirement plans.

If you decide that you no longer want the withdrawal option or payment date that you had previously chosen, submit another Withdrawal Request to the TSP Service Office indicating your new choice or send a letter cancelling your request. (See “Changing Your Withdrawal Election,” page 5.) If you do not submit another Withdrawal Request, your withdrawal will take place as you had originally requested.

## Your Withdrawal Options

There are three basic withdrawal options:

- Receive your account in a single payment
- Receive your account in a series of monthly payments
- Have the TSP purchase a life annuity for you

You can have your payment(s) begin immediately or at a later date. (You cannot choose a future date that is later than March of the year following the year in which you turn 70½.<sup>3</sup>) In addition, you can have the TSP transfer all or part of a single payment or, in some cases, a series of monthly payments, to an IRA or other eligible retirement plan. (See “Transferring Your TSP Account,” page 4.)

Make sure you understand the withdrawal options and their tax consequences before you submit your forms. After your account has been disbursed, you cannot change your request. (See “How TSP Payments Are Taxed,” page 4, and “Changing Your Withdrawal Election,” page 5.)

**Note:** If your account balance is less than \$5.00, your Participant Statement will advise you that the TSP will automatically forfeit the balance unless you claim the funds.

**A single payment.** You can withdraw your entire TSP account balance in a single payment.

**A series of monthly payments.** You can withdraw your account in a series of substantially equal monthly payments. You can choose:

- *The number of monthly payments you want to receive.* Your initial payment amount will be based on your account balance at the time of the first payment divided by the number of payments you choose. (The amount of your monthly payments must be \$25 or more.) At the beginning of each subsequent year, the TSP will compute the dollar value of your monthly payments for that year based on your account balance at the end of

the preceding year and the number of remaining payments.

- *A specific dollar amount.* You will receive payments in the amount that you request until your entire account balance has been paid to you. The amount of the monthly payments must be \$25 or more.
- *Monthly payments computed by the TSP based on an IRS life expectancy table.*<sup>4</sup> Your initial payment amount will be based on your account balance at the time of the first payment and your age. The TSP will recalculate the amount of your monthly payments every year based on your account balance at the end of the preceding year and your age.

You can choose to have your payments deposited directly into your bank account. The appropriate form will be sent to you with your first monthly payment.

You can transfer your account balance among the three TSP investment funds while you are receiving monthly payments. (If you have investments in the C or F Fund, remember that investment losses could cause your account balance to decrease, which could reduce either the amount of your monthly payments or their duration.)

You cannot change the number or dollar amount of your payments after they have begun, but you can change to a final single payment, change the proportion that is transferred to an IRA or other eligible retirement plan, or change the IRA or plan to which your payments are sent. (See “Changing Your Withdrawal Election,” page 5.)

**Note:** If you are receiving a series of monthly payments from your account, you will be subject to IRS minimum distribution requirements in the year in which you become 70½. (See “Required minimum distributions,” page 6.)

**A life annuity.** A TSP annuity is a monthly benefit paid to you for life. If your account balance is at least \$3,500, you can have the TSP use your account balance to purchase an annuity for you from the TSP’s annuity provider. If your account balance is less than \$3,500, you can request an annuity with a specific future date; however, your account must be at least \$3,500 before the annuity can be purchased.

If you specified a future date on Form TSP-70, your annuity will be *purchased in the month preceding* the date you specified on Form TSP-70 (if the required forms are received in time for processing). That way,

<sup>3</sup> If you separate after age 70½, see “Restrictions on Leaving Your Money in the TSP,” page 6.

<sup>4</sup> IRS Table V: Ordinary Life Annuities One Life — Expected Return Multiples, 26 C.F.R. ch. 1, § 1.72-9.

your annuity payments can begin in the month you specified.

You can request a single life annuity, a joint life annuity with your spouse, or a joint life annuity with someone other than your spouse. A joint life annuity means that monthly payments — in the same amount or reduced by half, as you choose — will continue to you or to your joint annuitant after either one of you dies.

For more information about TSP annuities and their features, read the booklet *Thrift Savings Plan Annuities*.

## Transferring Your TSP Account

Your TSP account is a portable retirement benefit. This means that when you leave Federal service, you can have the TSP transfer your account to an IRA or other eligible retirement plan (for example, a 401(k) plan of a new employer).<sup>5</sup> Check with your new employer to see if its plan can accept your transfer. You will continue to defer taxes on the amounts transferred. In this way, your savings will continue to accrue tax-deferred earnings until you withdraw your money.

If you choose to receive your account in a single payment, you can have the TSP transfer all or part of your account balance to an IRA or other eligible retirement plan. However, you can direct the transfer to *only one* IRA account or other eligible retirement plan. The amount not transferred will be paid directly to you.

If you choose to have the TSP pay out your account in a series of monthly payments, in some cases you can have the TSP transfer all or part of each monthly payment to an IRA or other plan. The TSP can transfer monthly payments that are expected to last less than 10 years and are not based on the IRS life expectancy table. Thus:

- If you choose a *number of monthly payments* to be transferred, the number you choose must be *less than 120*.
- If you choose a *dollar amount*, the TSP will use a factor to determine whether your payments are expected to last less than 10 years, taking into account the effect of future earnings (at an assumed annual rate of 8 percent). The factor is equal to your account balance divided by the dollar amount you requested. If the factor is 85 or

more, your payments *cannot* be transferred, and the TSP Service Office will notify you of this. You can use your current account balance (see the ThriftLine and Web site information on page 1) to estimate whether your payments will be eligible for transfer, but remember that your account balance will be different when the TSP applies the factor at the time of the first payment.

To request a transfer, complete Form TSP-70, Withdrawal Request, indicating that you want a single payment or a series of monthly payments *and* that you want a transfer. Also, both you *and* the financial institution or administrator of the plan that is to receive your money must complete Form TSP-70-T, Transfer Information. *Do not use the forms of the financial institution or plan; the TSP cannot accept them.* If you indicate on Form TSP-70 that you want the TSP to transfer your payment(s), but you do not submit a properly completed Form TSP-70-T, you will be notified and your election will be cancelled.

You can submit Form TSP-70-T even if you did not indicate that you wanted a transfer when you submitted Form TSP-70. However, your Form TSP-70-T must be received in time to be processed before the scheduled payment date or your withdrawal will be paid directly to you.

Some financial institutions and plans have minimum transfer amounts. You should verify that the financial institution or plan will accept the transfer of your payment(s) before you request a transfer.

**Note:** You can also receive directly any payments that are eligible to be transferred and roll them over to an IRA or other eligible retirement plan within 60 days. However, there may be tax consequences. (See “Mandatory 20 percent Federal income tax withholding,” page 5.) There are also special requirements if you are age 70½ or older and you request a transfer of your TSP account to an IRA or other eligible retirement plan. (See “Required minimum distributions,” page 6.)

## How TSP Payments Are Taxed

The amounts contributed to the TSP and the earnings on those contributions are tax deferred while you are a participant in the TSP. When a payment is made directly to you from your TSP account after you separate from Federal service, this money is taxable as income in the year in which payment is made. However, you do not pay taxes on money that the TSP transfers directly to an IRA or other eligible retirement plan until you withdraw it from the IRA or plan. Also, an annuity is not taxed at the time it is purchased; your monthly annuity payments are taxable income in the year in which they are paid.

<sup>5</sup> An eligible retirement plan is: an Individual Retirement Arrangement (IRA), which is either an Individual Retirement Account or an Individual Retirement Annuity other than an endowment contract; a tax-qualified employee benefit plan; or an annuity plan described in section 403(a) of the Internal Revenue Code. The IRA or plan to which your account is transferred must be a trust established inside the United States (i.e., the 50 states and the District of Columbia).

To make sure that you understand the tax consequences of the options you are considering, read the most recent version of the tax notice, "Important Tax Information About Payments From Your TSP Account." Your agency is required to provide this notice to you when you separate from service. You may want to obtain a copy of the tax notice and review it before you separate. If you make a withdrawal election with a specified future date, the TSP will send you a current tax notice four months before your scheduled payment date.

The tax notice contains detailed discussion of the following items:

**Mandatory 20 percent Federal income tax withholding.** The distribution of your account balance directly to you in a single payment (including an automatic cashout) or in a series of monthly payments that is expected to last less than 10 years is subject to 20 percent Federal income tax withholding, which cannot be waived. The 20 percent withholding will apply *if you receive such payment(s) directly*, even if you intend to roll the payment(s) over to an IRA or other plan. However, there is no Federal income tax withholding on payment(s) the TSP *transfers directly* to an IRA or other eligible retirement plan.

The 20 percent withholding does not apply to annuity payments, monthly payments that are expected to last 10 years or more, or monthly payments that are calculated based on the IRS life expectancy table. Other withholding rules apply to these payments; however, you cannot have these payments transferred directly to an IRA or other eligible retirement plan.

See the tax notice for a description of the kinds of payments that are subject to the 20 percent withholding and the kinds of payments that can and cannot be transferred directly to an IRA or other eligible retirement plan.

**Early withdrawal penalty tax.** If you leave Government service before the year in which you turn 55 and you withdraw your account in a single payment (including an automatic cashout) or a series of monthly payments not based on the IRS life expectancy table, you will be subject to a 10 percent early withdrawal penalty tax on all direct payments you receive before age 59½. (This does not apply if you leave the Government on disability retirement.) See the tax notice for more information about this penalty tax.

**Tax options.** If you receive your entire account balance in one tax year, you may be able to lower your Federal income tax liability by electing to use the 5-year or 10-year tax option. The tax notice explains the rules related to these tax options.

**Tax reporting.** The TSP must report to the IRS all payments made directly to you and all transfers to an IRA or other eligible retirement plan. By January 31 of the year following payment(s) from your account, the TSP Service Office will send you IRS Form 1099-R for each type of payment. To make sure that you receive the form(s), notify the TSP Service Office of any change in your address through the January following payment. (See "Reporting Changes in Personal Information," page 7.)

The TSP will not report the purchase of an annuity to the IRS; however, the annuity provider will report the payments you receive.

## Changing Your Withdrawal Election

**Before payment.** If you submit a Withdrawal Request and later want to change your election, you must submit another Form TSP-70 to the TSP Service Office (and Form TSP-70-T, Transfer Information, if appropriate). Your forms must be received in time to process them before the previously scheduled payment date. (See "The timing of your withdrawal," page 2.)

**Note:** If you change your withdrawal election, you must comply with the spouse notice or survivor annuity requirements that apply to you at the time you make the change. (See "Spouses' Rights," page 8.)

If you had previously requested a direct payment from your account (a single payment or a series of monthly payments expected to last less than 10 years), you can have your payment(s) transferred to an IRA or other eligible retirement plan by submitting Form TSP-70-T; you do not have to make another election on Form TSP-70.

You can cancel your Withdrawal Request by writing to the TSP Service Office. (Your signed and dated letter must include your name, Social Security number, and date of birth.) Your letter must be received in time to be processed before payment.

**After payment.** You *cannot* change your withdrawal choice after your account has been paid out. Also, if you have chosen an annuity, you cannot change either the annuity option or the joint annuitant after the TSP has purchased an annuity for you.

However, *if you are receiving a series of monthly payments*, you can change to a final single payment or change where your payments are sent. (You cannot change the number or dollar amount of your payments or the way they are computed.) Ask the TSP Service Office for Form TSP-73, Change in Monthly Payments, if you want to:

- Change your monthly payments to a final single payment. The final single payment can be made directly to you, or you can have the TSP transfer all or part of it to an IRA or other eligible retirement plan.
- Change the portion of each monthly payment that is transferred to an IRA or other eligible retirement plan. (You can make this change *only if*, when your payments began, they were expected to last less than 10 years and were not based on the IRS life expectancy table.)
- Change the IRA or other eligible retirement plan to which your payments are sent.

## II. Leaving Your Money in the TSP

After Federal service, you can leave your entire account balance in the TSP, subject to the restrictions described below. You do not need to submit any forms until you are ready to make a withdrawal election, unless your account balance is \$3,500 or less (see “Automatic Cashout of Small Accounts,” page 8) or you are approaching the required withdrawal date explained below. If you make an election with a specific future payment date, the TSP will notify you four months before that date to remind you that your withdrawal has been scheduled to be paid and to provide you with current withdrawal and tax information. (See “Withdrawal at a later date,” page 2.)

Your account will continue to accrue earnings and you can continue to change the way your money is allocated among the three TSP investment funds by making interfund transfers. You can make an interfund transfer in any month you wish, with no annual limit. (Use the ThriftLine, as described on page 1, or submit Form TSP-30, Interfund Transfer Request.)

When you are ready to choose a withdrawal option, you can contact the TSP Service Office for current tax information and withdrawal forms if you need them. These materials are also available on the TSP Web site. Submit Form TSP-70, Withdrawal Request, as described on page 2.

The following sections describe restrictions on leaving your money in the TSP and tell you how to report changes in personal information. They also describe how your account is disbursed if you die before withdrawing it.

## Restrictions on Leaving Your Money in the TSP

**Contributions and loans.** You cannot make any additional contributions to your account after you leave Federal service, and you can no longer borrow from your account.

**Required withdrawal date.** You are required to withdraw your account balance in a single payment or begin receiving your TSP account balance in monthly payments (or in the form of a TSP annuity) by April 1 of the **later of**:

- the year following the year you become age 70½, or
- the year following the year you separate from Federal service.

Therefore, if you elect a future date, you cannot choose a date that is later than March of the year following the year in which you turn 70½. If you separate after age 70½, you cannot specify a date later than March of the year following the year you separate. If you choose a TSP annuity, your annuity will be purchased in the month preceding the date you specify (e.g., in February, so that payments begin in March).

The TSP will notify you before your required withdrawal date and mail you important tax information about your TSP withdrawal, as well as information about IRS minimum distribution requirements.

**Required minimum distributions.** After you leave Federal service, your account is subject to IRS minimum distribution requirements beginning in the calendar year in which you become age 70½.<sup>6</sup> If you withdraw your account in a single payment or are receiving monthly payments in that year, you cannot transfer the entire payment(s) to an IRA or other eligible retirement plan. The TSP will calculate your required minimum distribution amount and mail it directly to you; the minimum distribution payment cannot be transferred.

- If you want to transfer all or a portion of a single payment, the TSP will decrease the amount to be transferred, if necessary, to satisfy the minimum distribution requirement.
- If you begin or have been receiving monthly payments, the TSP will ensure that payments are made directly to you that satisfy the minimum distribution requirement by increasing your monthly payment if necessary.

<sup>6</sup> If you separate after age 70½, your account is immediately subject to the minimum distribution requirements.



- If you request an annuity, the annuity will satisfy the required minimum distribution.

If you choose to withdraw your account or begin receiving payments in the year of your required withdrawal date, you must receive minimum distributions for both the prior year and the current year at the time of your withdrawal. If you choose monthly payments, your first monthly payment will include the prior year's minimum distribution. If you request an annuity, you will be sent the prior year's minimum distribution and the remainder of your account will be used for the annuity purchase.

The TSP calculates minimum distributions based on your account balance and your age, using IRS Table V: Ordinary Life Annuities One Life – Expected Return Multiples, 26 C.F.R. ch. 1, § 1.72-9.

## Reporting Changes in Personal Information

Until your TSP account is completely withdrawn, you must keep the TSP informed of any changes in your mailing address and other personal information maintained by the TSP. Otherwise, you may not receive your semiannual Participant Statement and other important mailings, including checks. You should also inform the TSP of any address change through January following the year your account is closed so that you receive tax reporting information.

Before you separate from service, your agency personnel office is responsible for updating your TSP account records. After separation, *you* must report changes to the TSP Service Office as follows:

- **To change your address**, submit Form TSP-9, Change of Address for Separated Participants. You can also change your address for your TSP account by writing to the TSP Service Office; your dated and signed letter must contain your Social Security number and your date of birth, which will be used to identify your account. **Note:** If you submit withdrawal forms, your new address on the forms will automatically update your TSP account records.
- **To change your name**, submit Form TSP-15, Change in Name.

## Death Benefits

You may designate beneficiaries to receive your TSP account in the event of your death. If you do not designate beneficiaries for your account, it will be distributed according to the statutory order of precedence. (However, if you die after the TSP Service

Office receives a completed annuity request for you, benefits will be provided in accordance with your annuity selection.)

**Designation of beneficiaries.** To name a beneficiary or beneficiaries for your account, mail Form TSP-3, Designation of Beneficiary, to the TSP Service Office; your form must be received by the TSP Service Office on or before the date of your death. (A will is not valid for the disposition of your TSP account.)

The share of any designated beneficiary who dies before you die will be distributed proportionally among the surviving designated TSP beneficiaries. Your Designation of Beneficiary will be void if none of the designated beneficiaries is alive at the time of your death. In that case, the statutory order of precedence will be followed.

Keep your beneficiaries' addresses current so that the TSP can locate the people who are entitled to your account if you die. If there are any changes in your family status (marriage, divorce, birth, death, etc.), you may want to make changes in your beneficiary designation. Your semiannual Participant Statement will show whether you have a Form TSP-3 on file with the TSP and, if so, the date you signed it. (Even if the TSP has a Form TSP-3 on file for you, you are responsible for its correctness and completeness.) To change or cancel a previous designation, mail a new Form TSP-3 to the TSP Service Office.

**Statutory order of precedence.** If you do not file Form TSP-3 to designate a beneficiary or the form is determined to be invalid, your account will be distributed according to the order of precedence, as required by law: to your widow or widower; if none, to your child or children equally, and to descendants of deceased children by representation; if none, to your parents equally or the surviving parent; if none, to the executor or administrator of your estate; if none, to your next of kin who is entitled to your estate under the laws of the state in which you resided at the time of your death.<sup>7</sup>

<sup>7</sup> In this order of precedence, a child includes a natural child (whether or not the child was born out of wedlock), a child adopted by the participant, and descendants of deceased children; it does not include a stepchild who was not adopted. Note: Under the order of precedence, if the participant's natural child was adopted by someone other than the participant's spouse, that child is not entitled to a share of the participant's TSP account.

"By representation" means that, if a child of the participant dies before the participant dies, that child's share will be divided equally among his or her children.

Parent does not include a stepparent unless the stepparent adopted the participant.

**Distributing your account.** In order for your beneficiaries to receive your account, Form TSP-17, Information Relating to Deceased Participant, must be submitted to the TSP Service Office together with a copy of your certified death certificate.

Once the beneficiaries of the account have been determined, the TSP Service Office will provide them with information about death benefit payments and a tax notice. Copies of that notice, "Important Tax Information About Thrift Savings Plan Death Benefit Payments," are available from your agency personnel office or the TSP Service Office. Payments are made between 45 and 60 days after the notices to the beneficiaries have been issued.

Payments made directly to spouses of deceased participants are subject to 20 percent mandatory Federal income tax withholding, which cannot be waived. Spouses of deceased participants can avoid the mandatory withholding on all or part of their payments by having the TSP transfer that amount to an IRA (but not to another eligible retirement plan). Payments made directly to beneficiaries other than a spouse are subject to 10 percent withholding, which may be waived. Payments to non-spouse beneficiaries cannot be transferred, however.

### III. Special Considerations

This section describes considerations relating to certain participants: vesting requirements for FERS participants; automatic cashout of accounts of \$3,500 or less; spouses' rights, including notice and survivor annuity requirements for accounts over \$3,500; court orders; withdrawal rules for participants who have received an age-based in-service withdrawal; and withdrawal rules for rehired participants.

#### Vesting Requirements

Vesting requirements apply only to FERS participants. If you are a FERS participant, you must work for the Federal Government for a certain number of years in order to be entitled to (or "vested in") the Agency Automatic (1%) Contributions in your account and the earnings on those contributions. Most FERS employees become vested in the automatic contributions after *three* years of Federal civilian service. FERS employees in congressional and certain non-career positions become vested in the automatic contributions after completing *two* years of Federal civilian service. If you leave Government service before meeting the vesting requirement for your automatic contributions, those contributions and the earnings on them will be removed from your account and forfeited to the TSP.

If you are a FERS participant, you are always vested in your own contributions (and their earnings) as well as the matching contributions your agency makes (and the earnings on them). If you die before leaving Government service, your entire TSP account will be vested automatically.

CSRS participants receive no agency contributions, so they are always vested in all the money in their accounts.

#### Automatic Cashout of Small Accounts

If your vested account balance is \$3,500 or less after your agency reports that you have left the Government, you are subject to the TSP automatic cashout procedures. Following notice from the TSP Service Office, your account will be paid directly to you automatically, unless you make another withdrawal election or elect to leave your money in the TSP (or unless your account increases to more than \$3,500). If you want to receive an automatic payment of your vested account balance, you do not need to send in any forms; the cashout will be made automatically.

If you do not want to receive the cashout, you should respond promptly by returning the forms that are enclosed with your cashout notice to keep your money in the TSP or to have the TSP transfer all or part of your payment to an IRA or other eligible retirement plan. You can also submit Form TSP-70 to make another withdrawal election. The cashout notice provides detailed information about automatic cashout procedures.

#### Spouses' Rights

The Federal Employees' Retirement System Act of 1986, which created the TSP, provides certain rights to spouses of TSP participants. If you are married and your vested account balance is more than \$3,500, the spouses' rights requirements must be satisfied before you can withdraw your account. (The term "spouse" includes a separated spouse.)

If you are a married FERS participant, your spouse is entitled by law to a survivor annuity. This annuity is a joint life annuity, with 50 percent survivor benefits, level payments, and no cash refund feature. If you want to purchase a different type of annuity or choose to withdraw your account in a single payment or a series of monthly payments, your spouse must sign a statement waiving his or her right to the required annuity. (If your current spouse has previously waived the right to this survivor annuity, you do not have to obtain his or her signature again if you change your election.)

If you are a married CSRS participant, the TSP must notify your spouse of your withdrawal election and any change in election.

Spouses' rights for separated participants are summarized in the chart below:

Spouses' Rights		
Classification	Requirement	Exceptions
FERS	Spouse is entitled to a joint life annuity with 50% survivor benefits, level payments, and no cash refund feature, unless he or she waives this right.*	Whereabouts unknown or exceptional circumstances
CSRS	Spouse is entitled to notification by the TSP of the participant's election.	Whereabouts unknown

\* For you to receive a withdrawal option other than an annuity, your spouse must sign Form TSP-70, Withdrawal Request, to waive this benefit. For you to receive an annuity option other than the required annuity, your spouse must sign Form TSP-11-C, Spouse Information and Waiver, to waive the required annuity.

Under certain circumstances as noted in the chart, exceptions may be made to the spouse's right to a survivor annuity (FERS) or notice (CSRS). If the whereabouts of your spouse are unknown, or if there are exceptional circumstances (applicable to FERS only) that make it inappropriate for you to obtain your spouse's signature, you may apply for an exception to the spouse waiver and notice requirements by submitting Form TSP-16, Exception to Spousal Requirements, with the required documentation. The criteria for supporting a claim on the basis of exceptional circumstances are strict. The fact that there is a separation agreement, a prenuptial agreement, a protective order, or a divorce petition does not in itself support a claim of exceptional circumstances.

For more information on establishing an exception to the spouses' rights requirements, see Form TSP-16.

## Court Orders

The TSP must honor a valid court order that awards all or part of your TSP account to a former or separated spouse. The TSP must also honor a valid order that enforces obligations to pay child support or alimony. Your withdrawal will not be processed while the TSP is reviewing an order. If the TSP determines that an order is valid and applies to your TSP account, it will comply with the order before your withdrawal is processed.

For more information about court orders, ask your personnel office or the TSP Service Office for the booklet *Information About Court Orders* and for the notice "Tax Treatment of Thrift Savings Plan Payments Made Under Qualifying Orders."

## Effect of an Age-Based In-Service Withdrawal

After the new TSP record keeping system is implemented (in early 2000), separated participants will have the option to withdraw a portion of their accounts in a single payment and leave the rest in the TSP for later withdrawal. However, only one partial withdrawal of this type may be taken in a lifetime, and if you took an age-based (age 59½ or older) in-service withdrawal of all or a portion of your account balance, you will not be eligible for the partial withdrawal as a separated participant.

## Withdrawal Rules for Rehired Participants

**Positions covered by FERS or CSRS.** If you are rehired to a position covered by FERS or CSRS or an equivalent retirement plan, the following rules apply:

*If your break in service is **less** than 31 full calendar days*, you are not eligible to withdraw your account. If you are a FERS participant, your new agency should start your Agency Automatic (1%) Contributions immediately. Whether you are FERS or CSRS, your own contributions to your account should continue automatically when you are rehired. (Check your earnings and leave statement.) If your or your agency's contributions do not resume, see your new agency personnel office. If you have an outstanding TSP loan, contact the TSP Service Office or your agency to ensure that your loan payments continue to be made.

*If your break in service is **31 or more** full calendar days*, you are eligible, but not required, to withdraw the portion of your account that is attributable to your previous employment. If you wish to withdraw that portion of your account, you must submit your Withdrawal Request while you are separated from Government service. If your vested account balance is \$3,500 or less, you will be sent an automatic cashout notice. (See "Automatic Cashout of Small Accounts," page 8.)

**Note:** If you had requested a withdrawal *to begin at a future date* and you are rehired before that date, the TSP will not process your withdrawal. Also, if you began receiving a series of monthly payments from the TSP after you separated, those payments will stop if you are subsequently rehired. However, annuity payments will continue despite your rehire.

**Positions not covered by FERS or CSRS.** If you are rehired but are not covered by FERS or CSRS or an equivalent retirement plan, you are considered to be separated for TSP purposes and are eligible to withdraw your TSP account.

## **To make your withdrawal go smoothly:**

- Obtain the withdrawal forms and tax notice from your agency when you separate.
- Make sure your agency reports your separation to the TSP as soon as you leave Federal service.
- If you have a TSP loan, repay it, or a taxable distribution to you will be declared before your withdrawal can be processed.
- Check your withdrawal forms before you mail them to make sure they are correct and complete — including signature and date.
- Make a copy of your withdrawal forms for your records.
- Notify the TSP Service Office in writing immediately if there is any change in your address after you separate.